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Introduction

Housing associations epitomise the hybridity and fluidity of third sector organisations evolving as a consequence of a changing environment (Mullins 2010). Their continual adaptation within a 'discontinuous history' (Malpass 2000a:195) appears to be more pronounced than ever in the neo-liberal mixed economy of welfare where they operate in the 'tension zone' (Mullins and Jones, 2015: 263) between state, market and community sectors. Within the UK context of radical national policy reform that has considerably reduced state financial support (NHF 2015; Power 2014), and a changing housing system within which the market rented sector has expanded and diversified significantly (CLG, 2018), housing associations' strategic decisions about if, how, and why, to engage with market renting exemplify the complex dynamics of finding a 'workable balance' between the social and the commercial (Chevin, 2013:6).

The extent to which commercial diversification is compatible with, complementary to, or contradictory to, social purpose has been explored in existing research (Mullins and Jones, 2015; Morrison 2016; Power et al, 2018). In seeking to 'reconcile' the social and commercial (Manzi and Morrison, 2018:1924), organisations are making decisions about their strategic direction and remit which have significant implications for them, local service provision, and the wider housing association sector. Moreover, historically, housing associations have been used to recreating their role within the housing system (Malpass 2000b), or their role being recreated through changing relationships with the state (Mullins and Jones, 2015). Examining the interplay between the push and pull of external factors, such as the local policy environment, and internal factors, such as organisational culture and attitudes to risk, in relation to market renting informs the evolution of the sector (Mullins and Jones, 2015; Manzi and Morrison, 2018), illustrating ways in which some organisations are re-interpreting the parameters of their remit.

There have been studies of housing associations' decision-making in the thriving London housing market (Morrison, 2016, Manzi and Morrison 2018) in relation to market renting and wider strategic debates, as well as studies of general strategic decision-making which have incorporated a geographical spread across regions (Mullins and Jones, 2015). The research reported in this paper focuses on the specific issue of market renting amongst housing associations operating in the North of England across different local markets at a time of particular change. Through examining the diversity of strategic decision-making across a range of organisations in a regional setting, the research aims to contribute to our understanding of the complex dynamics reshaping housing associations. The purpose of the paper is to examine what factors have driven varying responses, in particular to explore the role of local and organisational contexts in influencing decisions. The analysis of such decision-making is informed by institutional theory, recognising the existence of complex, multiple and interacting forces, both formal and informal (Lowndes and Roberts, 2013), in shaping institutional change, and its relevance to the blurred, dynamic boundaries of hybrid organisations (Billis, 2010). In order to explore such processes of decision-making the research adopted a grounded theory approach to data collection and analysis. Empirical evidence was gathered from qualitative semi-structured interviews with 20 senior professionals across 17 housing associations.

Firstly, the paper discusses the context for the research, including concepts of hybridity and institutional change that inform the theoretical framework, the national policy and housing system context within which the data collection took place, and existing research about housing associations and market renting. The paper goes on to outline the research approach and methodology adopted. The findings examine the interacting forces identified by respondents. A typology of organisational responses and the significance of the findings are developed in a discussion section, followed by concluding comments. How associations in Northern England are making – and legitimising – decisions about diversification into market renting in different ways for different reasons, adds to our understanding of the role of local contexts and internal interpretation within the dynamics of decision making in shifting times. The findings of this research provide valuable insights, not only for housing associations, but also for hybrid social enterprises operating in changing environments.

Housing Associations operating within blurred boundaries

Hybrid third sector organisations: an institutionalist approach

Housing associations epitomise the complex organisational hybridity of third sector organisations at the centre of the ‘current maelstrom of institutional change’ (Billis, 2010:9). Within a dynamic concept of hybridity, third sector organisations are operating in the ‘tension zone’, pulled and pushed in different directions simultaneously by state, market and community sectors, influenced by both external and internal forces (Mullins and Jones, 2015:263). The diversification by housing associations into market renting exemplifies the inter-sectoral blurring (Denis et al 2015:273) implicated by commercialisation, as identified in debates about the housing association sector (Manzi and Morrison, 2018). Crook and Kemp (2018:5) identify the ‘gradual, but ultimately transformative, institutional change that is now taking place in relation to investment by housing associations in private rental housing’.

In terms of explaining how and why such transformation is occurring, this paper is informed by Lowndes and Roberts (2013) recent interpretation of institutional theory which sees change as not being imposed or led by a particular interest, but as a result of a complex interplay between multiple and varied forces such as national policy shifts, the nature of local opportunities, and organisational willingness to change. For example, Thelen (2009:490 in Lowndes and Roberts, 2013:128) outlines the potential for human agency and interpretation to shape institutional change. The hybrid nature of housing associations - and the social-commercial tensions that exist - heightens the potential for varying interpretations of the changing external environment amongst different organisations. The diversity of response is illustrative of the ‘ongoing contestations’ within processes of change (Lowndes and Roberts, 2013:169).

Hybrid organisations embody the diversity and ambiguity evident in evolving institutionalism; ‘the ambiguous institution contains within it opportunities for further change and diverse reconstructions’ (Lowndes and Roberts 2013: 155). Billis (2010) outlines the multiple hybrid zones within which different organisations might locate themselves, depending on varying overlaps between the private, public and third sector features. Increasing reliance on private finance and establishing commercial subsidiaries, for example, locate organisations within a private/third sector hybrid zone. When applied to housing associations, hybridity is heightened further by the fluidity and diversity of the sector. The current repositioning of the

housing association sector (Manzi and Morrison, 2018) is potentially radical, but housing associations are not new to reorienting the nature of their organisations. Malpass (2000a: 2000b) demonstrates how housing associations have continually adapted within a discontinuous history:

“the strength of the voluntary housing movement in Britain is better demonstrated through its dynamism and its ability to recreate itself, rather than appeals to tradition and historical continuity” (Malpass, 2000b: 263)

Moreover, in the context of this paper, it is important to recognise that throughout its development the housing association movement has fulfilled various roles within the housing system reflecting different relationships with the state, with implications for debates about their purpose. From a historical perspective, Malpass (2000b:7) suggests the notion of a common purpose is a dynamic rather than a static concept, with ‘many interpretations of what it means and how best to pursue the common aim’ – something which becomes increasingly relevant when considering organisations’ responses at a time of flux.

In understanding diversity of response, institutional theory identifies different forms of gradual transformation. For example, Lowndes and Roberts (2013:128) referring to Thelen (2010), identify ‘drift’ and ‘conversion’ amongst others. Whereas drift is driven by changes in the external environment and relative inaction on the part of the organisation, conversion involves reinterpretation of purpose from within ambiguous organisations. Both drift and conversion were evident in this research, with varying levels of enthusiasm versus reluctance, and proactive versus reactive stances towards market renting amongst housing associations.

As ‘social hearted, commercially minded’ organisations (Chevin, 2013:66), housing associations illustrate the potential for diverging or blending logics (Grossi et al, 2017). The shifting social-commercial interface can present opportunities, but also tensions; organisational interpretation is important in shaping how strategic direction is determined. Billis (2010: 64) identifies the optimistic-pessimistic debate in relation to hybrid organisations - as hybrids evolve, alternative activity can be evidence of pragmatism and often achievement of gain for beneficiaries’ (Bubb 2007: 16 quoted in Billis (2010:11)), or indicative of organisations losing sight of their original mission. Institutional theory recognises that appropriateness of strategic direction ‘is not seen as a given; rather as an outcome of an ongoing work of interpretation by reflective actors’ (Lowndes and Roberts, 2013:154).

In a study of commercialisation in Dutch housing associations, Gruis (2008) developed four organisational archetypes recognising the variety of organisational response across housing associations and the complexity of motivations underpinning strategic development. Organisational type was determined according to whether associations were looking at new opportunities (prospectors) or retaining a traditional focus (defenders), and within this whether they were more socially or commercially oriented. Gruis (2008) acknowledges the difficulty in applying such axes to empirical studies, something explored further within the grounded theory approach of this research. Questions about what is ‘traditional’ or ‘core’ are not straightforward for housing associations as hybrid social enterprises; social and commercial boundaries are increasingly blurred within a radically and rapidly altering environment with the potential for reinterpretation of purpose, as demonstrated by decisions

amongst many associations to develop housing for market sale. Through the empirical study of strategic decision-making processes about market renting amongst a range of housing associations in a regional setting, this paper reflects the importance of exploring 'the strategic position of the organisation in relation to the local tasks and the association's ambitions and means' (Gruis, 2008:1091).

A changing external environment

Social housing providers have been the subject of ongoing organisational change as a result of marketization since the 1980s (Mullins and Murie, 2006). However, the extent and nature of welfare and social housing policy reforms, alongside public expenditure constraints, since 2010 have had dramatic implications for housing associations, resulting in increased uncertainty about rental income (Williams et al, 2013, Power, 2014). In the face of increased pressure on income streams, the sector is characterised by new challenges and debates about diversification, commercialisation, and the relationship between business and social objectives (Chevin, 2013, Richardson et al 2014):

'The sector is debating its purpose and objectives. Many associations are reviewing their strategies and business plans in order to ensure a workable balance between their social and economic aspirations' (Chevin, 2013: 6)

The debate about diversification intensified as the operating environment shifted again in 2015 when the Government introduced further radical changes including the reduction of rents in social housing by 1% a year for four years (NHF, 2015). At the time revenue losses were estimated to be £1.5bn per year over 4 years (The Guardian 26.07.15). This change in policy significantly added to pressure on revenue streams, posing major challenges to business models, and raising questions about strategic direction in terms of future business and core purpose. As Manzi and Morrison (2018:1928) stated, this marked a 'critical juncture for the sector'.

At the same time, the housing system – and the role of the private rented sector tenure within it - was changing. In England, 20% of households were renting privately in 2016-17, compared to 11% in 2003/4 (CLG, 2018). Correspondingly, levels of owner-occupation had fallen from 71% of all households in 2003, to 63% in 2016-17 (CLG, 2018). As owner-occupation has become unaffordable for a wider range of households, the role and makeup of the private rented sector (PRS) has broadened. The number of 35-44 year olds in the PRS in England rose by 11%, to 29% over the same period (CLG, 2018). The English Housing Survey (CLG, 2018) also demonstrates a growing number of households with dependent children within the PRS – 38% in 2016-7. Geographies of private renting show regional differences. Rugg and Rhodes (2018) identified growth in the private sector in the North East and North West of England between 2001 and 2011 of 79% and 77% respectively - significantly higher than the growth across England of 65%. Rugg and Rhodes (2018) also note that growth over this period occurred primarily in urban areas with large conurbations.

Nationally, there has been a recent government commitment to the PRS as part of the solution to the housing crisis. Following the Government commissioned Montague Report (CLG, 2012), the Government introduced a number of initiatives intended to boost supply and attract institutional investment, including the Build to Rent Fund and an enabling Private Rented Sector Taskforce (Bate, 2015). Moreover, national debate suggested that there was a

role for housing associations. In 2003, Goodchild and Syms suggested that while market renting was a peripheral activity for housing associations there was sufficient success to encourage further growth. Rugg and Rhodes' (2018) review of the PRS recognises the potential of housing associations as institutional landlords. The Montague Report quoted in Chevin (2013: 51) suggested "(larger) *associations have the potential to become key players in the development of bespoke private rented schemes*". The potential for housing associations' considerable landlord and development experience to place them in a strong position within an expanding and improving private rented provision was recognised by the CLG Select Committee Report (2013). Crook and Kemp (2018) identify how shifts in the environment have accelerated transformative change amongst housing associations, however this influence cannot be viewed in isolation.

Housing associations and market renting: strategic fit?

The convergence of the evolving PRS and the shifting housing and welfare policy context create a potential neatness of fit between housing associations and market renting. Literature has identified housing associations engaging in market renting activity in the UK to varying extents and in different ways (Bate 2015; CIH 2013; Crook and Kemp, 2018, Lindley 2014; Morrison, 2016; Power et al 2018). Existing research highlights the complex dynamics of organisation decision-making in relation to engaging with market renting, reflecting a range of influential push and pull factors, both internal and external. For example, in spite of the dominant influence of state-led policy, Mullins and Jones (2015) highlighted the role of organisational culture and leadership in shaping varying strategic responses. The way in which different housing associations interpret and respond to various influencing factors in justifying commercialisation and diversification decisions, as highlighted by Gruis (2008), demonstrates the co-existence of opportunities as well as tensions and the potential for complementary as well as contradictory pressures, (Mullins and Jones, 2015, Manzi and Morrison, 2018)

A variety of motivations underpinning decisions about diversification into market renting are evident (Morrison, 2016; Power et al, 2018). As well as generating revenue, the Chartered Institute of Housing (2013) identify improving access to the PRS, making an improved offer to private renters, and providing an alternative to home ownership, as the potential purpose of housing associations market renting activity. Rather than contradicting social purpose, engagement with private renting can be presented as supporting social purpose, whether by facilitating cross subsidy, or as an end in itself by meeting unmet needs in a changing housing market within a broader remit (NHF, 2016). Tang et al (2017:422), in their study of housing associations accessing institutional investment to fund commercial activity found that housing associations retained a clear commitment to providing social housing alongside a 'pragmatically, fit for purpose approach that combines social purpose...with profitability...'. Power et al (2018:63) state 'associations believe that the PRS is aligned with and helps deliver the wider social aims of housing associations', albeit incorporating a broad range of engagement, including sub market letting. However, Manzi and Morrison's (2018:1924) study of large housing associations in London questions whether 'the attempt to reconcile social and commercial logics is likely to have wider consequences for the legitimacy of the sector'. Yet, their research also found that amongst senior practitioners 'there were no inherent contradictions between social and commercial logics' (2018:1937). Crook and Kemp (2018:16) recognise the changes taking place amongst large developing associations through engaging

with market renting as not ‘necessarily automatic or uncontested’. The heterogeneity of response and the importance of interpretation are key to this paper; how various influences can be perceived in different ways depending on local external and internal organisational contexts.

Research methods

In order to explore the influences and dynamics that shape organisation decisions about market renting in practice, this paper draws upon qualitative data gathered from 20 in-depth semi-structured interviews with professionals from 17 housing associations operating in the North East and North West regions of England. The interviewees were senior strategic level representatives; they included Chief Executives and Directors with responsibility for areas such as Business/Strategy/Property. For the purpose of this research the regions were defined as follows – the North East region is the geographical area that includes Northumberland, County Durham, Tyne and Wear, and Teesside; the North West region was defined as the area including Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside. The participants were selected from organisational responses to an earlier survey and represented a range of organisation types and sizes, operating across different housing markets with different levels of market renting activity (See Table 1).

INSERT TABLE 1

It was important when selecting a methodology for collecting data to ensure that it allowed participants to delve deeply into a discussion around the drivers for their involvement in market renting. The use of qualitative, semi-structured interviews allows narratives to emerge that enable each participant to expound on the complex interplay between external and internal drivers from the perspective of their organisation. In order to achieve this, a grounded theory approach was adopted. As Bryman (2002:461) states, ‘grounded theory provides systematic, successive strategies for developing fresh ideas (in order) to collect, study and analyse data’. Grounded theory starts with an inductive approach. Rather than testing out a pre-existing theory it allows for exploration of a topic or phenomenon, the emergence of key themes and the development of new concepts or theories (Denscombe 2014). However, the data is not left to speak for itself but is systematically analysed. The constant comparative method was adopted (Denscombe 2014). The empirical data, in the form of interview transcripts, was subject to multiple levels of analysis. Initial analysis allocated codes to broad themes in the form of open codes (Bryman 2002). As the data was further analysed connections between the data were identified and coded accordingly. Known as axial coding (Denscombe 2014) this approach allowed for the relationships between the emerging themes to be identified. Finally, in keeping with grounded theory, the key concepts or theories that emerged were used to explain the phenomenon occurring.

The benefits of comparing different organisations in similar contexts have been noted elsewhere (Morrison, 2016). It is important, however, to acknowledge that the findings discussed in this paper provide illustrative themes and issues rather than in-depth case study analyses. While individual influences cannot be isolated, the findings do illustrate the variety of strategic responses and decision making processes – such diversity was key to this research and added to our understanding of the complex dynamics at play.

Moreover, the research took place during a radical shift in the national policy environment. Interviews were conducted at a time of considerable and ongoing upheaval for housing associations, as the introduction of rent reduction added to the extensive welfare and funding reforms already in place and debates about strategic direction were at the fore. Although challenging methodologically for the research, this context provided a rich seam of qualitative data, as ongoing debates about commercialisation and diversification in housing associations were heightened.

Findings

This section outlines the factors identified by the respondents as influential in shaping their decision-making, and demonstrates how they interacted in different ways to create a variety of strategic positions in relation to market renting. Particular types of organisational response emerged from the qualitative data, ranging from enthusiastic adoption to reluctant acceptance. More minimal, externally driven responses illustrated 'drift', whereas conversion was demonstrated by proactive extensive engagement with market renting (Thelen 2010 in Lowndes and Roberts, 2013).

External forces: the importance of context

Respondents acknowledged the significant role of the external national policy environment in radically re-shaping their operating environment and influencing strategic decision-making. However, not all organisations responded to this environment in the same way. For some respondents the changing national policy context had forced them to consider market renting for the first time:

'It (market renting) didn't (appear on our agenda) prior to the summer budget'
(Small North West housing association, 1)

For other respondents the shifts in national policy had only served to further encourage an existing commitment:

'...it's definitely internally influenced...the external...budget announcement has only focused the group's mind a little bit more'
(Large North West housing association, 13)

While some organisations were enthusiastically planning to extend or introduce market renting to reduce the risks in their property portfolio and achieve alternative income streams, others were more cautious or reluctant. Some interviewees highlighted the ongoing uncertainty of the policy environment and the extent to which market renting may be an ephemeral aspect of a continually shifting agenda. Although national policy was an important influence on the timing and nature of organisational involvement, it was evident that other factors were significant.

In understanding the plurality of response and interpretation, it is important to look at external factors specific to the local context as well as factors internal to the organisation. As one respondent highlighted, *'there is an internal and external dynamic ... one of the key things*

is about the context and where we work' (Small North West housing association, 2). The local market was pivotal to the decision-making process, but sometimes in more complex ways than might initially be expected. While there were aspects of the market where investment in market renting was clearly less risky and more viable – such as economically thriving metropolitan city centres - there were also examples of associations diversifying into market renting for families and couples in commuter areas, and in dysfunctional housing markets to aid local regeneration. Although such activity had to be financially viable, the scale of profit was not the only motivating factor, as highlighted by a respondent from an organisation with an existing, long-term commitment to market renting:.

'Anyone who thinks it's a goose that's going to lay a golden egg is mistaken in the North of England. This is a long play'

(Medium North West housing association, 7)

The market influence was also evident in terms of addressing gaps to meet the needs of particular households such as the 'squeezed middle' (Kelly, 2010), or to align with local economic development strategies. For some, such market needs converged with supportive internal dynamics within a wider social purpose creating a proactive stance towards market renting. The analyses highlighted a range of legitimising arguments that included, but were not limited to, profit making for cross subsidy of social rented provision.

The research identified the significance of the local policy context. For some respondents working in partnership with local authorities to contribute to local strategies was a motivating and encouraging factor:

'the city council over a number of years have taken the view that they want the city to develop. As a major partner of the council and as an organisation that wants to grow, we want to actually reflect those aspirations in how we want to grow'

(Small North West housing association, 2)

The potential to contribute to shaping places and local economic growth was a key supporting factor for some organisations, legitimising alternative forms of provision. This was explicitly related to local strategies amongst some North West respondents:

'to meet specific housing needs for wider neighbourhood management regeneration objectives. So the (market rented) family property is for a very specific need'

(Small North West housing association, 3)

There were examples in the North East of organisations actively targeting market renting at the 'squeezed middle' - addressing an aspect of unmet local housing need:

'the credit crunch had just hit and we were getting a lot of individuals who were in employment with decent disposable incomes, but couldn't access mortgage funding'

(Small North East housing association, 4)

One respondent suggested market renting partnerships were illustrative of a wider potential for housing associations as fluid, experienced local service providers to contribute in new ways:

‘As local authorities shrink they need organisations that are politically, financially and operationally astute to take some of that weight... it demonstrates our flexibility and agility’

(Small North West housing association, 2)

However, some respondents felt that they were on the periphery of strategic partnerships and there was uncertainty about whether external partners fully understood the potential role(s) housing associations could play. There were also examples of organisations which did not see any potential for market renting – neither economically nor socially.

Internal forces: the importance of (re)interpretation

Strong internal business drivers had existed for some participants for a number of years and had driven strategic decisions to be involved in market rented housing at an early stage as part of the evolution of their business. For others, key strategic decisions about market renting were only now coming into sharp relief due to the changing national environment, resulting in new deliberations. Two fundamental business drivers encouraged (or discouraged) diversification into market renting – risk and return. Where the business case was perceived as strong, respondents emphasised both reducing risk and raising revenue. The need to spread risk over a more diverse property portfolio, and the flexibility of assets, were key considerations. Diversification by product, property type, client group and geography was something some organisations believed could be facilitated by a move into market renting:

‘we can fund more homes than we can through the affordable homes programme.... we obviously want to grow our stock, and I think the board’s view is the less risky way of growing the stock is through the market rent’

(Small North East housing association, 4)

Inevitably, for some respondents, concerns about costs and viability acted as deterrents to involvement in market renting:

‘the biggest challenge is going to be the viability side of it, because... the margins are really tight. So where we would ordinarily look at a scheme and say “well, the rent’s not far away from the market rent but we’ll get some grant that might help us deliver it” that isn’t there which increases the pressure on... the amount and level of investment versus the return on that investment’

(Medium North West housing association, 9)

There were differing perceptions about the distinctiveness of the market rented as opposed to social rented sector. For some respondents, the potential to utilise existing expertise to offer market rented provision supported the business case. It was seen not only as a natural extension of their existing strategic direction, but as an opportunity to benefit the PRS as a whole; representing an ‘optimistic’ interpretation of hybridity (Billis, 2010)

'We think we can offer a high quality ethical management service... brings a bit of quality, hopefully, to a market place that is driven by poor quality'
(Medium North West housing association, 7)

However, others were more reluctant, seeing market renting as a specialism outside their experience and emphasising the risks of assuming transferability – *'why go into the unknown?'* (Small North East housing association, 5).

The interactions between business and social considerations were crucial in shaping the response to any market renting opportunity – and the extent to which it was perceived as such. Business decisions about diversification of risk and return were intrinsically related to discussions about purpose and strategic direction in terms of how such decisions were justified (or not). The potential to cross subsidise traditional housing functions was acknowledged by the majority of respondents. However, across the sample of organisations, there was evidence of varying interpretations of this, alongside other motivations, contributing to a more complex understanding of how market renting activities were being legitimised in different ways.

For some respondents, alternative commercial activities were specifically about cross subsidy; how best to continue to meet the traditional social mission of the organisation in a challenging funding environment. The financial gain was the primary motivation for some respondents, illustrating a pragmatic, opportunistic stance in relation to market renting:

'if it can't make money, we'll shut down tomorrow ...no point unless it's going to advance our social purpose '
(Large North East housing association, 16)

However, for other respondents, market renting activity was not merely a means to an end but an end in itself, aligned to their mission and legitimised by a broader (re)interpretation of their social purpose. For some organisations this included the identification of a new client group, the 'squeezed middle', who, although not vulnerable, were in need of support from housing associations due to lack of access to other tenures :

'...being able to respond to a range of aspirations and housing demand....that's what our business is about...'
(Large North East housing association, 15)

While the delivery of social housing was fundamental to their strategy, there was an acknowledgement by some organisations that in some areas they had to do things differently. Where there were local issues of oversupply of social/affordable housing, affordability and viability issues with traditional models of delivery, some organisations were refocusing their strategy in order to remain active in core locations.

'So if we want to work and manage and contribute in those areas then we have to do so with a different product...'
(Small North West housing association, 2)

The interplay between local context and organisational (re)interpretation

For a number of organisations within this research, mutually supporting external local drivers converged with internal business and cultural drivers in such a way to create a positive strategic commitment to market renting. Such diversification could be seen as meeting multiple purposes - resolving tensions or 'squaring the circle':

'So we solved the gap in terms of the private rented market, and then the profit we make can be used to deliver more affordable housing. So it squares a circle'

(Large North West housing association, 13)

In contrast, for a smaller number of organisations, while the market may have been receptive to market renting, such diversification was a reactive, pragmatic activity. In some instances, it was a result of re-designating properties developed for owner-occupation following the market collapse in 2008. For others, it was a forced option to be re-considered in the light of national policy shifts. Some decisions were more about finding a temporary or 'accidental' solution, rather than a strategic goal – evidence of pragmatic 'drift' (Thelen (2010) in Lowndes and Roberts (2013)):

'We fell into market renting more by accident than design'

(Large North East housing association, 14)

Although in the minority, some respondents were reluctant to engage with market renting, questioning the legitimacy of such activity on the basis of their charitable status and the fundamental nature of housing associations:

'it depends on your heart...(it) changes the soul of the organisation'

(Medium North East housing association, 11)

Some respondents felt that market renting was contradictory to their mission, skewing resources away from existing responsibilities and more appropriate opportunities.

Discussion

Different external and internal contexts combined to shape varying organisational responses. Although housing associations are operating in the same national context, there are nuances depending on the interface between the local housing and policy environment and organisational values. While the influencing forces had relevance to all organisations, the findings identified that the interactions between them, the relative emphases and differing interpretations, were reflected in distinct approaches to strategic decision-making. This gave rise to an emergent typology of organisational responses, presented in Table 2.

INSERT TABLE 2

The different types of response reflect perceptions of driving forces and their interrelationships amongst the respondents in this research. While the typology provides a tool for understanding the variety of responses, it is important to note that organisations do

not necessarily fit neatly into each type, reflecting the potential plurality of interpretation of similar influences, and the dynamism of internal and external environments. However, it does illustrate how combinations of internal and external drivers resulted in differing organisational responses to involvement in market renting.

For early adopters there were strong internal push drivers to be proactively involved in market renting and these were not new. Conducive local external factors combined with a particular organisational orientation and remit to encourage a long-standing and enthusiastic commitment to market renting.

'it's really not much of a step from what we've been doing already as a core business to starting to do market renting'

(Small North West housing association, 3)

For later adopters, the national policy context may have provided a more recent push, but there were varying levels of pragmatism versus enthusiasm. Some organisations were similar to early adopters; the pull of external local strategic partnerships or wider definitions of social purpose within internal debates were key to proactive organisational commitment. Other organisations were perhaps more reactive and only responded to a viable opportunity as it arose. In some instances, respondents emphasised the flexibility of market rented property as an asset, in that it could be sold or converted to social housing if circumstances altered. These pragmatic stances were more evident amongst some later adopters as well as deliberators. Amongst deliberators, the pull from the local environment or a cultural commitment within the organisation was not as apparent, reinforcing uncertainty and careful reflection:

We're at quite a fluid point in time strategically...we're going to have to actually revisit and rethink some of the fundamentals of why we're here and who we're here for...

(Medium North East housing association, 11)

For the above organisation, depending on the result of internal debate, they may move towards the adoption of market renting. Whether this is as enthusiastic later adopters or reluctant pragmatists may be shaped by how any potential opportunity is interpreted in terms of social purpose and the extent of support from strategic partners.

For reluctant pragmatists, market renting was a default activity rather than a considered strategic direction:

We're only doing it because we couldn't sell and the market died

(Large North West housing association, 17)

In practice, some of these organisations did appear open to deliberation in the future, depending on the changing operating environment (locally and nationally). However, others were clear that market renting was not for them (mostly due to an existing commitment to home ownership).

Amongst organisations with no engagement with market renting cultural barriers were most prominent, however these often combined with limited opportunities in the local housing market:

'we are a charitable organisation....that's the first reason and the primary reason. The secondary reason is that the main areas we operate in have (a low) average salary...'
(Small North East housing association, 6)

Emerging from the empirical analysis and reflecting the different ways in which drivers combined in different organisations, the typology illustrates differing 'trajectories of change' (Mullins and Jones, 2015:279). However, it also signifies the challenges of classifying complex organisational justifications in a straightforward way. The multiple, layered, interpretations of social and financial influences that were evident within the sample demonstrates the difficulty identified by Gruis (2008) in clearly positioning housing associations on social/commercial and prospector/defender axes. Moreover, as outlined earlier, housing associations are hybrid, historically fluid organisations, operating within local and national contexts that are continuously changing. Given the potential for movement and overlap between the different categories over time and in changing circumstances, the notion of a continuum may be useful. A continuum offers the potential for fluid boundaries between the types of responses. Moreover, it illustrates difference in terms of reactive versus proactive driving forces, and relative enthusiasm versus pragmatism or reluctance in shaping the extent and nature of strategic commitment.

As continuously evolving organisations in a context of flux, housing associations' strategic decision-making processes in relation to diversification into market renting exemplify the complexity of interacting influences recognised within Lowndes and Roberts' (2013) interpretation of evolving institutionalism. Their experiences as ambiguous, hybrid organisations operating within a changing governance context (Billis, 2010) provides a valuable insight into the dynamics that are shaping strategic (re)direction. Existing research has demonstrated the existence of varying push and pull, external and internal drivers for housing associations in relation to market renting (Morrison, 2016); the qualitative analyses in this research adds to our understanding by highlighting the interplay between local contexts and internal organisational interpretations in determining varying responses. This research demonstrates the relevance of analysing housing associations' responses in the context of their 'local task', as well as their internal position (Gruis,2008:1091). Within this research, the local external context emerged as an important variable underpinning strategic decisions, not just in terms of the housing market but also the local policy context and local strategic partnerships.

Although the research was located in a regional setting, in analysing strategic decisions about market renting it became evident that the region was not necessarily distinctive in itself, but local level external contexts were instrumental. Moreover, the importance of the local external environment in facilitating or limiting a particular (re)direction within the 'tension zone' (Mullins and Jones, 2015:263) has wider relevance for third sector hybrid organisations. For example, partnership working within the changing local governance context presents opportunities for such organisations with implications for their remit and their role across

local provision. While this may involve commercialisation, it can also include closer links with the local state.

The interplay between the operating context and the internal organisational position was complex. The analyses of how associations were legitimising their decisions about market renting demonstrated the importance of (re)interpretation within organisations. While there were examples of both diverging and blending social and commercial logics (Grossi et al, 2017), the research illustrated the complexity and variation evident in how organisations justified a particular blend in underpinning their evolving strategic approach. Additional legitimising factors were often multiple and multi-dimensional, shaped by differing circumstances and different interpretations. While a financial return is clearly crucial, there was evidence of other factors that in some cases helped to justify the return that was achievable and the risk taken. As well as opportunities for cross subsidy to finance traditional activities, there were examples of organisations redefining a wider social remit, including engaging with market renting to address housing need beyond that of rehousing vulnerable people (Clarke et al, 2014) and to contribute to local economic and regeneration objectives. For some organisations, such activity was an end in itself and not just a means to an end – an example of ‘conversion’, while for others it was a more pragmatic ‘drift’ (Thelen, 2010 in Lowndes and Roberts 2013: 128).

A broader (re)interpretation of social purpose could be seen to provide an illustration of the optimistic debate within hybrid organisations (Billis, 2010), combining pragmatism with wider social gain to varying extents. However, there were also examples of the pessimistic position where transformational change through market renting was seen as affecting the heart and soul of an organisation, reinforcing concerns about commercialisation and the traditional remit of housing associations (Manzi and Morrison, 2018). As highlighted in institutional theory, appropriateness is not necessarily a static notion, transformation is contested, and interpretation is key (Lowndes and Roberts, 2013) – something which is epitomised by housing associations’ engagement with market renting within the ongoing evolution of the sector.

Conclusions

This research into the strategic decision-making of housing associations in relation to market renting in a regional setting adds empirical weight to a more nuanced understanding of the complex interacting forces that are shaping diverse organisational responses. The interplay between local external operating contexts and different internal organisational (re)interpretations emerges as an important dynamic informing and legitimising decisions about diversification and commercialisation. A priority for further research would be to disaggregate the relative importance of factors in explaining different responses, perhaps through more in-depth studies of organisational decision-making within specific localities, or examining decision-making across similar types of organisations. Such additional data would help to develop the emergent typology or continuum presented in this article.

The continual reshaping of the housing association movement (Malpass, 2000b) within their evolution as third sector hybrid organisations places them in a particularly fluid position when changes in the external funding and housing market contexts converge to present both

threats and opportunities – as was the case in this study about market renting. The associations in this research provided varying examples of strategic (re)direction within the ‘tension zone’ (Mullins and Jones, 2015:263). Housing associations’ interaction with a market tenure in a changing housing system is an ongoing issue that epitomises debates about third sector engagement within a changing public policy context – raising questions about relationships with statutory and private partners, organisational remit, core and non-core activity, who their clients or customers are, relationships with statutory and private partners, and so on. Where boundaries are blurring, how do organisations balance different priorities? For a few respondents in this research, the tensions of commercialisation were a barrier to engagement with market renting. For some respondents, market renting activity was acceptable as a means to an end, while for others internal and external forces coincided to remove tensions. As well as providing insights for the housing association sector, further understanding of such dynamics has relevance to hybrid organisations who are making decisions about their activities and remit within shifting external environments. Given the heterogeneity, and interconnectivity, of multiple influencing factors, it is evident that how fluid organisations (re)interpret their parameters will continue to evolve in complex and diverse ways.

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	Location*	Stock size			Developing	Indication of current market renting activity
		Small <10,000	Medium 10-20,000	Large 20,000+		
1	NW	X			X	None
2	NW	X			X	Active
3	NW	X			X	Active
4	NE	X			X	Active
5	NE	X			X	Minimal
6	NE	x			X	None
7	NW+		X		X	Active
8	NW/NE+		X		X	Minimal
9	NW		X		X	None
10	NW		X		X	Active
11	NE		X		X	Minimal
12	NE		X		X	Active
13	NW+			x	X	Active
14	NE			X	X	Minimal
15	NE+			X	X	Active
16	NE+			X	X	Active
17	NW+			X	X	Minimal

Table 1: The study sample

*Indicates where the organisation was active in NE/NW and beyond (+)

Organisation type	Drivers	Features of decision making	Features of activity	Nature of strategic commitment
Early Adopters	<i>Decision made some time ago Strong internal and external drivers at play for a number of years Encouraging environment</i>	<i>Enthusiastic Proactive</i>	<i>Vanguard of involvement in market renting Often ongoing long term partnerships with key local authorities Subsidiaries often well developed</i>	<i>Integrated within long term strategic direction; objective part of growth strategy</i>
Later Adopters	<i>A more recent decision. Convergence of external and internal encouraging factors (albeit to varying extents)</i>	<i>Enthusiastic/pragmatic Reactive/proactive</i>	<i>Early stages of involvement – planned as well as actual Flexibility key.</i>	<i>Integrated within strategic direction</i>
Deliberators	<i>Internal and external drivers exist, but more problematic either economically/culturally or both</i>	<i>Enthusiastic/pragmatic Reactive/uncertain</i>	<i>Wait and see approach; following rather than leading Small scale Flexibility key</i>	<i>Uncertain/peripheral strategic commitment</i>
Reluctant Pragmatists	<i>Decision driven by external environment only; Limited/No internal driver Facilitating environment</i>	<i>Reluctant/Pragmatic</i>	<i>Re-designation or former home ownership properties Acquisition of failing properties Small scale</i>	<i>Peripheral/temporary commitment only</i>
(Non engagement)	<i>Weak/non-existent drivers. Limiting environment - economically and culturally conflicting</i>	<i>Forced consideration/rejection</i>	<i>None/minimal consideration</i>	<i>No commitment</i>

Table 2: A typology of organisational response to the involvement of housing associations in market renting